

STATE OF ARIZONA
OFFICE OF THE ATTORNEY GENERAL
SPECIAL INVESTIGATIONS SECTION
REPORT

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LF NUMBER: P-2014-2096

CASE NAME: San Tan Learning Center

REPORT TYPE: Case Summary

AGENT: M. Opp

SUPERVISOR: J. Lamerson

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Summary

Kristofer Sippel and his wife Rita Sippel own San Tan Montessori School, Inc., which has a charter contract with the Arizona State Board for Charter Schools to operate a charter school called San Tan Learning Center. The Arizona Department of Education has given the school a grade of "B" and the East Valley Tribune named it the 2013 Best Charter School. While the school may be decent, our investigation has uncovered evidence that the Sippels have been using charter school monies to pay for many of their personal and family expenses, including trips, professional sports tickets, cars, personal purchases, gas, etc. They have also used charter school monies to pay themselves and their other companies, despite both of them also drawing salaries for their employment by the charter school. An investigation revealed that the total of the charter school monies that have apparently been converted by the Sippels in a manner that does not further the purposes of the charter and is not reasonably related to the business of the charter school is approximately \$329,418.

The Entities

In November 2005, Kristofer and Rita Sippel formed San Tan Montessori LLC, a limited liability company, though which they operated a private preschool and elementary school.

In September 2006, the Sippels formed San Tan Montessori School, Inc., a non-profit 501(c)(3) corporation. This corporation, whose officers are Kristofer Sippel, Rita Sippel, and Scott Fleckenstein, took over operations of the private elementary school run by the Sippels. The preschool continued operations under San Tan Montessori LLC.

In January 2007, Kristofer Sippel registered a trade name for San Tan Learning Center. In November 2007, Kristofer Sippel submitted an application to the Arizona State Board for Charter Schools seeking to convert their private school to a public charter school. The application was eventually approved and San Tan Montessori School, Inc. entered into a charter contract in April 2008. Per the terms of that charter contract, the charter holder is San Tan Montessori School, Inc. which operates a charter school called San Tan Learning Center. San Tan Montessori LLC

continued to serve as a private pre-school and was always located on the same campus as San Tan Learning Center.

In July 2011, the Sippels formed Fulton Ranch Learning Center, Inc., which for the 2013-2014 school year operated a second charter school site, under the original charter contract.

In February 2012, the Sippels formed Learning Center Public Schools LLC, a limited liability company whose sole member was San Tan Montessori School, Inc. Learning Center Public Schools operated from the same location at San Tan Learning Center and was apparently created as a vehicle to manage the finances and administrative operations of the two charter school sites, as well as the private preschool.

San Tan Learning Center originally served grades K-4 and operated out of leased facilities at the Superstition Springs Community Church located at 4450 E. Elliot Road in Gilbert. In 2009, San Tan Learning Center expanded to grades K-6 and moved to a new location leased from Champion Higley Park Commons, with an address of 1515 S. Higley Road in Gilbert. In 2011, San Tan Learning Center expanded to serve grades K-8. A second school site, Fulton Ranch Learning Center, was approved in July 2012. That site, located at 204 W. Chandler Heights Road, was open for less than a year. In January 2014, the name of the school was changed from San Tan Learning Center to San Tan Charter School. In August, the school moved to a new location, at 3959 E. Elliot Road, in Gilbert, on land purchased by San Tan Montessori School, Inc. in February 2014, and constructed using bond monies provided by Charter School Capital, Inc.

Kristofer and Rita Sippel also own a property management firm, KRS Land Management, LLC, formed in November 2005. There are several deeds recorded by KRS Land Management with both the Maricopa and Pinal County Recorders' Offices, including for the Sippels' house at [REDACTED] but none of the deeds relate to any land purchased by San Tan Montessori School, Inc.

Charges:

After extensive review of the numerous entities that are tied to Kristofer and Rita Sippel, it has been determined that the monies used out of the San Tan Montessori School, Inc. account listed below was determined to be expenditures that are not reasonably related to the business of the charter school and were used for personal use of the Sippels. The majority of the monies that funded San Tan Montessori, Inc. were from Arizona Department of Education, US Department of Education, US Treasury, State of Arizona and Charter School Capital, a charter school financing company. Since Learning Center Public School was primarily funded by San Tan Montessori School, Inc. expenses deemed to be personal have also been included.

KRS Land Management, LLC

KRS Land Management, LLC received multiple payments totaling \$74,500 from San Tan

Montessori School, Inc. and Learning Center for Public Schools, LLC during the period July, 2008 through April, 2015. These payments were recorded in QuickBooks as "Rental Income" which would indicate that KRS Land Management, LLC owned property that was being leased to the schools. This was not the case. These payments were improperly categorized as "Rental Income". The funds were apparently being used to pay the Sippel's regular expenses (mortgage, utilities, etc.) rather than for any land purchased by the school. Many of the expenditures appear to be personal in nature and to the extent public funds were used to make the rent payments to KRS Land Management, LLC, they were inappropriate.

KRS Land Management, LLC also received deposits from San Tan Montessori, LLC totaling \$122,750 which were recorded in QuickBooks as "Rental Income".

American Family Life Insurance

From 2009 to 2015, San Tan Montessori School, Inc. made payments to American Life Insurance totaling \$26,720. Learning Center for Public School, LLC made payments to Family Life Insurance totaling \$27,646. Totaling \$54,366.

During our review of the Gold Canyon Bank loan documents for KRS Land Management, Inc. and the Sippels for the vacant land located at 1003 W. Ocotillo Road, San Tan Valley, AZ, we found three American Family Life insurance policies listed with total face value of \$2,300,000. The policy owners are listed as Kristofer and Rita Sippel.

Purchased Automobiles / Gas Purchases

San Tan Montessori School, Inc. did not have any vehicles dedicated to the school. Corporate board members Barbara Wahlman and Scott Fleckenstein stated that they were both unaware of any vehicles used for school purposes. The chart below lists the vehicles that were paid by San Tan Montessori School, Inc. and Learning Center Public School.

<u>Automobile Expenses</u>	<u>San Tan Montessori School Inc.</u>	<u>Learning Center Public Schools, LLC</u>	<u>Total</u>
Ally (Suburban Loan)	\$ 3,318		\$ 3,318
GMAC	\$2,489		\$2,489
Honda Financial Services	\$14,781		\$14,781
American Family Car Insurance	\$489.00		\$489.00
Auto Owners Insurance	\$21,104		\$21,104
Department Motor Vehicles	\$541.00	\$541	\$1,082
Chapman BMW	0	\$2,648	\$2,648
San Tan Ford	0	\$335.00	\$335.00
Gas Purchases	\$83.00	\$4,121	\$4,204
TOTAL	\$ 42,805	\$ 7,645	\$ 50,450

Sporting Events:

Cardinals Football Tickets:

A review of the Corporate Meeting minutes and interviews with other Corporate board members it was determined that Cardinal Football tickets were never approved by the board or even made mention. Multiple interviews of current and past employed revealed that the Cardinals tickets were primarily used by the Sippel family and their friends. From July 1, 2008 through May, 2015, San Tan Montessori School, Inc. made eight payments to the Cardinals totaling \$75,575. Learning Center for Public Schools made eight payments totaling \$34,158. Totaling \$109,733.

Suns Tickets:

A review of the Corporate Meeting minutes and interviews with other Corporate board members it was determined that Suns Basketball tickets were never approved by the board or even made mention. From July 1, 2008 through May, 2015, San Tan Montessori School, Inc. made payments to the Suns totaling \$8000. Learning Center for Public Schools made payments totaling \$9,589. Totaling \$17,589.

Payment to Scott Fleckenstein:

A check was written to Scott Fleckenstein on 6/12/2012 from Kristofer Sippel totaling \$1500. A review of bank records revealed the check was written from the Learning Center Public Schools, LLC account. An interview with Scott Fleckenstein revealed that he had invited Kristofer Sippel to a Coyote hockey game. A suite was purchased by Fleckenstein for approximately \$3000 and Kristofer Sippel reimbursed Fleckenstein \$1500 for the tickets. Fleckenstein question Kristofer Sippel about where the money came from after he was questioned by the Attorney General's Office. Kristofer Sippel stated to him that the check came out of the preschool account (San Tan Montessori LLC).

Payment:

A payment was made to [REDACTED] on 11/20/2012 in the amount of \$2,020. The payment was made from the Learning Center Public Schools, LLC account.

Heritage Dental:

A payment was made on 11/16/2012 to Heritage Dental / Kenneth Cohrns in Lady Lake, Florida in the amount of \$19,260. The payment was made by the San Tan Montessori, Inc. account.

Recommended Charges:

A.R.S. § 13-1818 provides that "[a] person commits misappropriation of charter school monies if without lawful authority and with an intent to defraud the person converts monies provided by this state under a charter school contract in a manner that does not further the purposes of the charter and is not reasonably related to the business of the charter school." The statute further provides that conversion of more than \$25,000 is a class 2 felony.

A.R.S § 13-2310 Any person who, pursuant to a scheme or artifice to defraud, knowingly obtains any benefit by means of false or fraudulent pretenses, representations, promises or material omissions is guilty of a class 2 felony.

A.R.S § 13-1802G. Theft of property or services with a value of twenty-five thousand dollars or more is a class 2 felony. Theft of property or services with a value of four thousand dollars or more but less than twenty-five thousand dollars is a class 3 felony. Theft of property or services with a value of three thousand dollars or more but less than four thousand dollars is a class 4 felony, except that theft of any vehicle engine or transmission is a class 4 felony regardless of value. Theft of property or services with a value of two thousand dollars or more but less than three thousand dollars is a class 5 felony. Theft of property or services with a value of one thousand dollars or more but less than two thousand dollars is a class 6 felony.

- ❖ 13-2310 – Fraudulent Schemes and Artifices – Class 2 Felony- 1 count
- ❖ 13-1818 – Misappropriation of Charter School Funds – excess of \$25,000 -Class 2 Felony 1 count
- ❖ 13-1802G – Theft Class 2 Felony - excess of \$25,000 – 4 counts
 - KRS Land Management, LLC - \$74,500 (1 counts)
 - American Family Life Insurance - \$54,366 (1 counts)
 - Purchased Automobiles - \$ 46,246 (1 counts)
 - Cardinals Football Tickets - \$109,733 (1 counts)
- ❖ 13-1802G – Theft Class 3 Felony- \$4,000 or more but less than \$25,000 - 3 counts
 - Suns Tickets - \$17,589
 - Heritage Dental - \$19,260
 - Gas Purchases - \$4,204

- ❖ 13-1802G – Theft Class 5 Felony - \$3,000 or more but less than \$4000 - 1 count
 - Payment to Scott Fleckenstein - \$1,500
- ❖ 13-1802G – Theft Class 6 Felony - \$1,000 or more but less than \$2000 - 1 count
 - [REDACTED] Payment (to [REDACTED]
[REDACTED] - \$2,020

Kristofer Michael Sippel

DOB: [REDACTED]

SS # [REDACTED]

[REDACTED] AZ [REDACTED]

[REDACTED]

Rita Marie Sippel

DOB: [REDACTED]

SS # [REDACTED]

[REDACTED]

AZ [REDACTED]